

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Audit & Risk Committee **DATE:** 10<sup>th</sup> July 2014

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**(For all enquiries)** (01753) 875368

**WARD(S):** All

### **PART I** **FOR COMMENT**

#### **Audit & Risk Management Update – Quarter 4 2013-14**

##### **1 Purpose of Report**

The purpose of this report is to:

- Report to members on the progress against the 2013/14 Internal Audit Plan up to Quarter 4
- Report to members on the progress of the implementation of Internal Audit recommendations
- Report to members the Internal Audit Annual Report for 2013/14
- Report to members the Council's latest counter-fraud activity
- Report to members the Council's Risk Register

##### **2 Recommendation**

That the Audit & Risk Committee comment on and note the reports.

##### **3 Sustainable Community Strategy Priorities**

The actions contained within the attached reports are designed to improve the governance of the organisation and will contribute to all of the emerging Community Strategy Priorities

###### **Priorities:**

- *Economy and Skills*
- *Health and Wellbeing*
- *Regeneration and Environment*
- *Housing*
- *Safer Communities*

##### **4 Other Implications**

###### **4.1 Financial**

The impact of the external auditors grant claim audit could have potential financial impact through amending grant claims and the additional work carried out by BDO.

## 4.2 Risk Management

This report concerns risk management across the Council

## 4.3 Human Rights Act and Other Legal Implications

n/a

## 4.4 Equalities Impact Assessment

There is no identified need for an EIA

# 5 Supporting Information

## 5.1 Overview

5.1.1 Baker Tilley have completed a number of audits from their work during the fourth quarter of 2013-14.

5.1.2 The overall Internal audit reports have continued to be finalised at a more appropriate rate than in the previous financial year. Of the 2012-13 internal audits, only two remain outstanding and this is an amber-green report in respect of a school and an advisory report on the carbon Reduction Commitment. Of the 2013-14 internal audit opinions issued, there are nine outstanding, four of which are in respect of schools. All of these draft reports are recent and have been raised in the period since the last Audit & Risk Committee except one school audit.

5.1.3 Overall assurance levels have also compared to the previous year. The comparative percentage of red and amber-red reports (46%) have decreased significantly when compared to the previous year (59%) as at the end of the financial year which is a positive movement. Overall the risk profile of recommendations have remained at a similar level to the previous year, but the number of recommendations has reduced by 16%. The Council will continue to request internal audit reviews areas where management believes there is the greatest value in having a completed audit.

5.1.4 The corporate risk register has been updated to reflect the latest risks resulting from the Ofsted inspection earlier in the year and the subsequent Dept. For Education review.

## 5.2 Internal Audit Q4 2013-14 progress report

5.2.1 The full report is attached at appendix A.

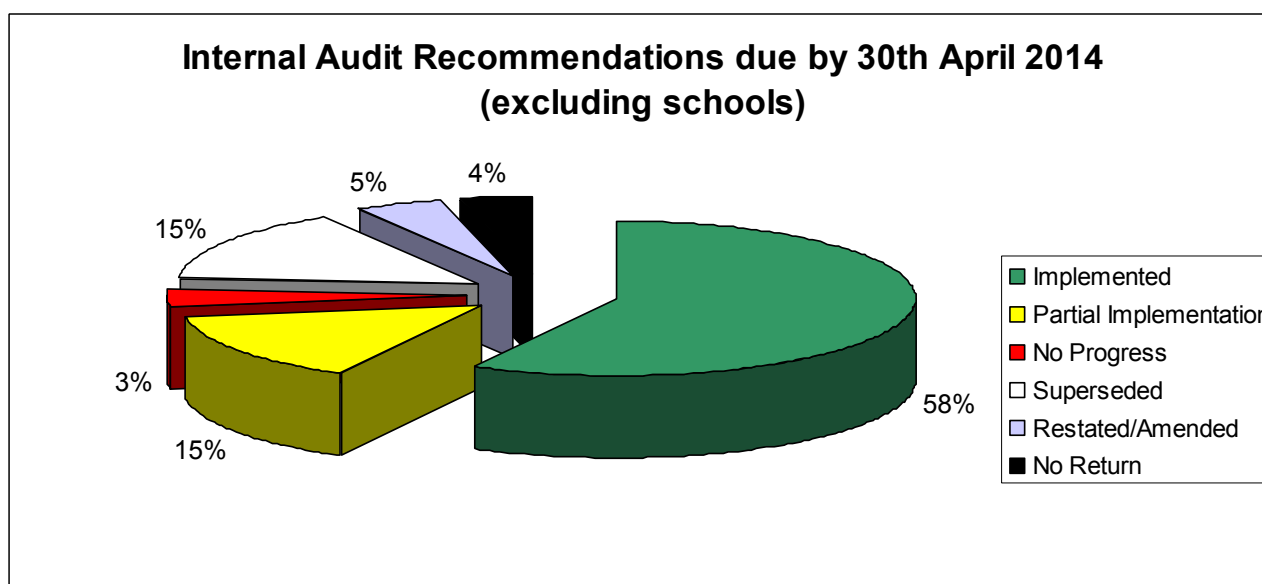
5.2.2 The Council has continued to show an improvement in overall assurance levels as expressed through the audit opinions issued. There is a much lower level of red and amber-red report issued in the current year compared with the previous year. This demonstrates an improved level of overall assurance on audits across the Council.

### 5.3 Finalising Internal Audit Reports

5.3.1 The table below shows those Internal Audits that remain in draft and are yet to be finalised as at 31<sup>st</sup> May 2014

Audit Title	Draft Issued	Responses due	Client sponsor
<i>Carbon Reduction Management 54 12.13</i>	<i>04 May 2013</i>	<i>18 May 2013</i>	<i>Not Listed</i>
Foxborough	25 June 2013	08 July 2013	Head
OLOP Junior 19 13.14	22 November 2013	07 December 2013	Head
Contractual Management Arrangements - Amey Plc 23 13.14	04 April 2014	18 April 2014	Neil Aves
Payroll 34 13.14	25 February 2014	11 March 2014	Roger Parkin
Rent Account 36 13 14	06 March 2014	20 March 2014	Neil Aves
St Ethelbert's 40 13.14	01 April 2014	15 April 2014	Chris Ashton
Claycots Primary 42 13 14	04 April 2014	18 April 2014	Chris Ashton
Pippins School 44 13 14	11 April 2014	25 April 2014	Chris Ashton
Asset Register 48 13 14	23 April 2014	07 May 2014	Stephen Gibson
<i>Chalvey Early Years Centre 1 15 15</i>	<i>22 May 2014</i>	<i>05 June 2014</i>	<i>Chris Ashton</i>
<i>Holy Family RC Primary</i>	<i>27 May 2014</i>	<i>10 June 2014</i>	<i>Chris Ashton</i>

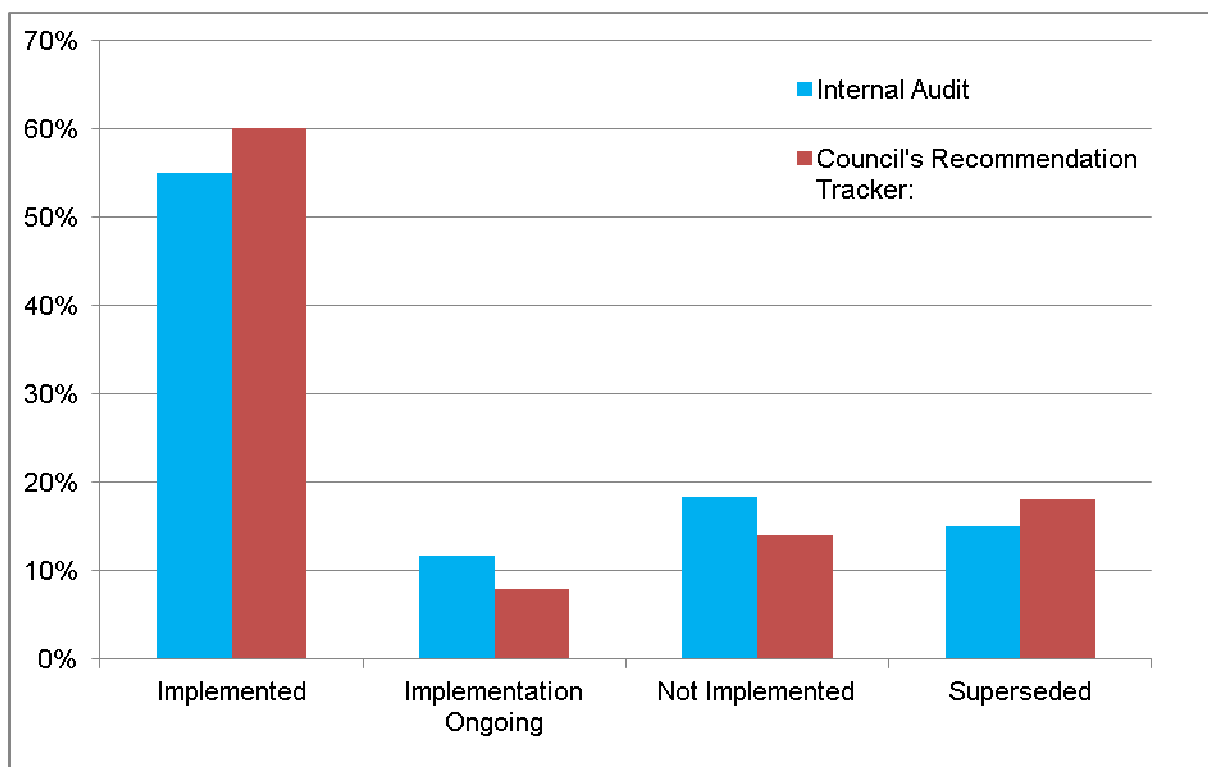
5.3.2 The Risk and Insurance Officer regularly monitors the progress of the implementation of “high” or “medium” recommendations made following Internal Audit reports. Below is a graph that shows the percentage of recommendations that have either been implemented, are in progress, no action has been taken, or the recommendation has been superseded.



5.3.3 Baker Tilly has received assurance that the Council’s Internal Audit recommendation tracking tool implemented by the Council is a useful tool for the Committee.

5.3.4 The chart below shows results of an audit into the progress made against internal recommendations and the level of progress indicated by the internal audit recommendation tracker. This demonstrates, that the headings that the Council has used to assess its progress against implanting recommendations aligns very closely to an independent verification of these recommendations. For 2014-15, further

progress needs to be made to ensure that the implemented proportion of recommendations increases.



5.3.5 The table below details those audits where recommendations are still outstanding or where requests for information has no been responded to.

Name of Audit	High Level rec's not Responded to	Medium Level rec's not Responded to
<b>Corporate Reports</b>		
Asset Register 52.12.13	0	1
Budget Setting	1	1
Estates & Facilities Management 43 12.13	0	1
Business Continuity Planning Arrangements 41 12/13	0	5
Children's Services Procurement 4 13 14	2	0
Contract Management 25 13.14	1	0
<b>Sub Total</b>	<b>4</b>	<b>8</b>
<b>Schools</b>		
Baylis Court Nursery School 16 13 14	0	1
Haybrook College 9 12 13	1	6
Littledown 7 13.14	0	1
Montem Primary 14 13.14	0	1
Parlaunt Park Primary School 17 13.14	0	3
Priory School 3.13/14	0	2
St Bernards 12 13.14	1	0
St Josephs	1	0
Wexham 20 13.14	1	1
<b>Total</b>	<b>4</b>	<b>15</b>

## 5.4 Internal Audit Annual Report for 2013/14

5.4 The full Internal Audit Report for 2013/14 is at Appendix B

5.4.1 The Head of Internal Audit Opinion for the year ended 31<sup>st</sup> March 2014 regarding adequacy and effectiveness of the Council arrangements for governance, risk management and control as being Amber.

5.4.2 The number of Green and Amber/Green reports has risen to 54% in 2013-14 compared to 41% in 2012/13. Management will continue to direct internal audit to areas where it believes improvements need to be made, as well as internal audit covering key elements of assurance over core Council functions.

## 5.5 Fraud update

5.5.1 Every year the Council is required to report all fraud activity with a value over £10,000. The Council provides this summary on a quarterly basis to the Audit & Risk Committee. Below is a summary table of activity completed in the current year.

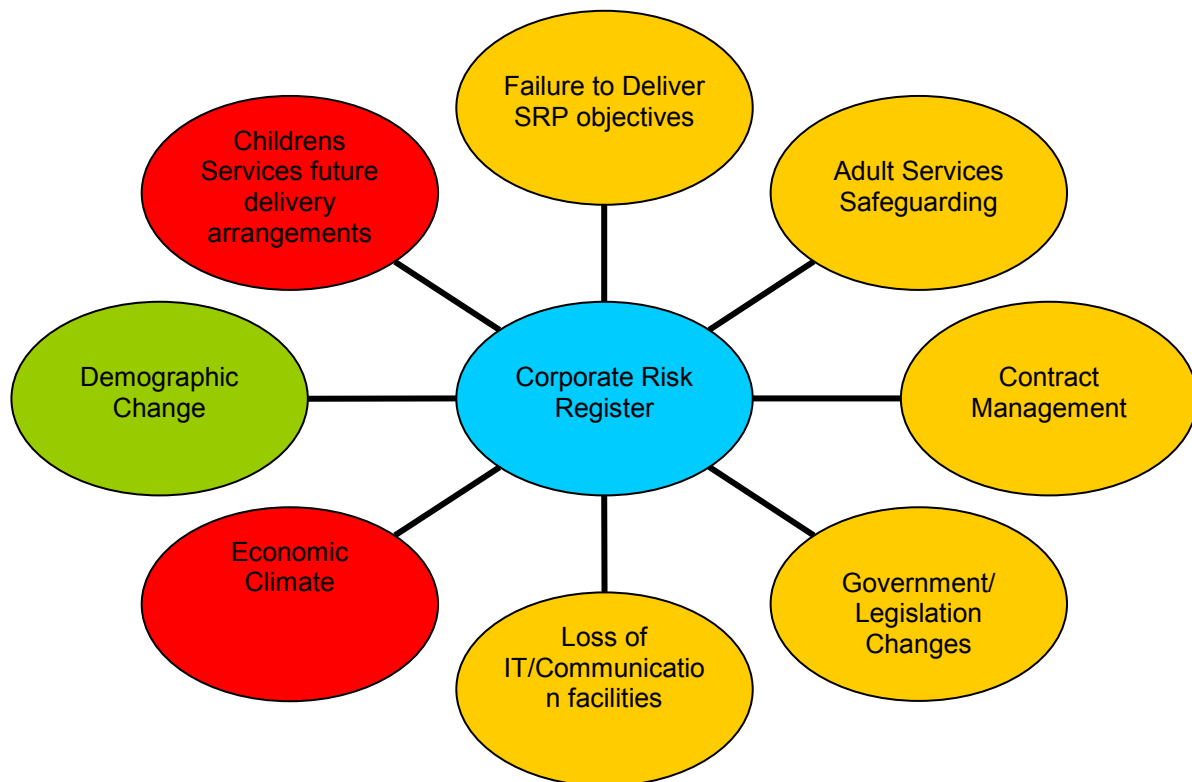
Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
Subject running a business and claiming Housing Benefit.	HB: £42,000.01 CTB: £7,606.94 TOTAL: <b>£49,607.04</b>	Proceeds of Crime Act on conviction	27/05/14 Reading Crown. Guilty x 2 offences for fraud, adjourned for sentence to 04/07/14.
Undisclosed Income and sublet of SBC property while claiming benefit.	HB: £10,035.88 CTB: £1,994.71 Total: <b>£12,030.59</b>	Proceeds of Crime Act on conviction	Guilty 27/01/14. 8 weeks custody, suspended for 1 year, 150 Hours community service and POCA recovery ongoing.
Undisclosed partner and income while claiming benefits.	HB: £13,789.85 CTB: £1,855.42 Total: <b>£15,645.27</b>	Proceeds of Crime Act on conviction	Not guilty plea entered 07/01/14. Convicted 26/03/14. Guilty following trial. 12 Month Community Order with 200 hours unpaid work, £60 victim surcharge and £485 costs.
Undisclosed income and property while claiming Housing Benefit	HB: £18,935.03 CTB: £5,067.01 Total: <b>£24,002.04</b>	Proceeds of Crime Act on conviction	Guilty Prosecution 27/01/14: Sentence 24 WEEK CURFEW WITH ELECTRONIC TAG, 8PM TO 4.30AM. £1167.96 COSTS,

Type of Fraud	Amount	Recovery Action	Action Against Perpetrator
			£60 VICTIM SURCHARGE.
Subject subletting a SBC property	Cost to council £16,000 pa in non availability for appropriate allocation. Offending spanned 2 years = <b>£32,000</b>	Proceeds of Crime Act Full cost not recoverable as does not represent the defendants gain.	Confiscation 24/02/14: The judge granted a confiscation order for £16,631.98. They have 6 months to pay SBC will receive 37.5 %.
Undisclosed Income whilst claiming benefits.	HB: £15,062.30 CTB: £2,856.03 Total <b>£17,918.33</b>	Through debtors system	Prosecution. Not guilty outcome.
Failure to declare partner whilst claiming benefit.	HB: £16,496.32 CTB £5,019.14 Total <b>£21,515.46</b>	Through debtors system	Prosecuted
Failure to declare partner whilst claiming benefit.	HB £14,030.72 CTB £1,251.38 Total: <b>£15,282.10</b>	Through debtors system	Prosecuted
Failure to declare income.	HB £10, 585.16 CTB £646.19 Total: <b>£11,231.35</b>	Administrative Penalty. Debt repaid	Administrative Penalty paid at £3,369.41
Total	<b>£199,232.18</b>		

## 5.6 Corporate Risk Register

5.6.1 The Corporate Risk Register is included within appendix C. The Audit Committee are asked to review the risk register and provide any comments back through the CMT.

5.6.2 Below is a diagram that illustrates the make up of the corporate risk register and the risk ranking



5.6.3 There has been one major change since the previous audit committee and that has been the Children's services risks. The nature of the risk has changed from safeguarding risk, to the risk to the Council from the potential new arrangements for delivering Children's Social Care. Until further information is available from the Department for Education, the ability to control this risk is constrained.

## 6 Comments of Other Committees

n/a

## 7 Conclusion

That the Audit Committee notes the latest updates from Internal Audit.

## 8 Appendices Attached (if any)

'A' - Internal Audit Q4 2013-14 progress report

'B' - Internal Audit Annual Report

## 9 Background Papers

Baker Tilley Audit Reports